

Miami-Dade Water and Sewer Department

A Department of Miami-Dade County, Florida

2004 Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2004



vision statement

The Miami-Dade Water and Sewer Department will be a utility that is a leader in providing public health protection and environmentally sound and innovative utility services using state-of-the-art technologies, proven operational expertise, resource planning and excellent customer service in a cost-effective manner.

mission statement

The Miami-Dade Water and Sewer Department is committed to serving the needs of Miami-Dade County residents, businesses, and visitors by providing high-quality drinking water and wastewater disposal services while providing for future economic growth via progressive planning; implementing water conservation measures; safeguarding public health and the environment; and providing for continuous process improvements and cost efficiencies.



Delivering Excellence Every Day

Miami-Dade Water and Sewer Department

A Department of Miami-Dade County, Florida

2004 Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2004

Report prepared by: Controller Division and Public Affairs Section

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Barbara J. Jordan
District 1



Dorrin D. Rolle
District 2



Barbara Carey-Shuler, Ed.D.
District 3



Sally A. Heyman
District 4

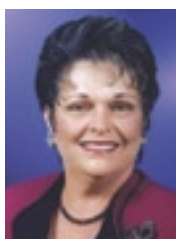
Board of County

commissioners

Miami-Dade County, Florida



Bruno A. Barreiro
District 5



Rebeca Sosa
District 6



Carlos A. Gimenez
District 7



Katy Sorenson
District 8



Dennis C. Moss
Vice Chairman
District 9



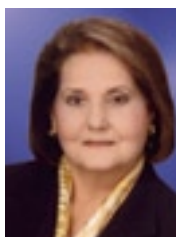
Sen. Javier D. Souto
District 10



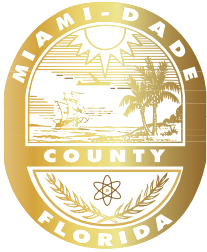
Joe A. Martinez
Chairman, District 11



José "Pepe" Diaz
District 12



Natacha Seijas
District 13



CARLOS ALVAREZ
MAYOR

OFFICE OF THE COUNTY MAYOR MIAMI-DADE COUNTY, FLORIDA



March 31, 2005

Honorable Chairperson and Members
Board of County Commissioners
Miami-Dade County, Florida

Dear Chairperson and Members of the Board of County Commissioners:

During FY 2004, Miami-Dade Water and Sewer Department continued to be a major catalyst in the economic growth and development of Miami-Dade County. Beyond its purpose of providing clean, safe drinking water to its customers and protecting public health and the environment, the Department also has several initiatives in place that address continued growth of the region.

Primary among these initiatives is the building of the Department's South Miami-Dade Water Treatment Plant. As the County's population grows and residential and commercial developments increase in its southern region, the new state-of-the-art plant will be critical in a seamless increase of potable water. In FY 2004, a \$1 million contract was awarded for the design of the plant's frontage and work began on the entrance, perimeter wall and landscaping at the new facility. Designs for the combined well field and park upgrade project are in the permitting process and all other portions of the plant's construction are on schedule for a 2009 opening.

Water and sewer services are essential to the existence and progress of any community. This County now stands at the threshold of a population growth of approximately 21 percent by 2020, and Miami-Dade Water and Sewer Department will play a critical role in establishing the infrastructure and services needed to support that growth.

Sincerely,

A handwritten signature in black ink that reads "Carlos Alvarez". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Carlos Alvarez
Mayor



Office of the County Manager
111 NW 1st Street • Suite 2910
Miami, Florida 33128-1994
T 305-375-5311 F 305-375-1262

miamidade.gov

ADA Coordination
Agenda Coordination
Animal Services
Art in Public Places
Audit and Management Services
Aviation
Building
Building Code Compliance
Business Development
Capital Improvements Construction Coordination
Citizens' Independent Transportation Trust
Commission on Ethics and Public Trust
Communications
Community Action Agency
Community & Economic Development
Community Relations
Consumer Services
Corrections & Rehabilitation
Cultural Affairs
Elections
Emergency Management
Employee Relations
Empowerment Trust
Enterprise Technology Services
Environmental Resources Management
Fair Employment Practices
Finance
Fire Rescue
General Services Administration
Historic Preservation
Homeless Trust
Housing Agency
Housing Finance Authority
Human Services
Independent Review Panel
International Trade Consortium
Juvenile Assessment Center
Medical Examiner
Metro-Miami Action Plan
Metropolitan Planning Organization
Park and Recreation
Planning and Zoning
Police
Procurement Management
Property Appraiser
Public Library System
Public Works
Safe Neighborhood Parks
Seaport
Solid Waste Management
Strategic Business Management
Team Metro
Transit
Task Force on Urban Economic Revitalization
Vizcaya Museum And Gardens
Water & Sewer

George M. Burgess
County Manager

Miami-Dade's Water and Sewer Department remains committed to customer service excellence. The Department now offers customers the option of paying their water and sewer bills online. In fact, during the last fiscal year ten percent of our customers chose to pay their bill online - a convenient new option for our busy customers.

The Department has also made a strong effort to streamline processes and pass the efficiency savings along to the customer. As a result of the Department's culture of customer service excellence and efficiency, Miami-Dade water rates are remarkably low as compared to similar size jurisdictions nationwide. Under its POWER (Partnership Optimizing WASD's Efficiency and Re-engineering) program, the Department has retooled several functions and realized savings of more than \$20 million over the last six years.

During the November 2004 General Election, all eight measures of the County's General Obligation Bond (GOB) were passed by an overwhelming majority of our voters. The passage of the bond will provide \$222 million for water and sewer projects including the enhancement of water and wastewater treatment and expanded fire protection.

The coming years are filled with promise for the economic growth of Miami-Dade County. As Water and Sewer employees continue to pursue excellence in customer service, fiscal responsibility and results-oriented management, I am confident that the Miami-Dade Water and Sewer Department is committed to delivering excellence.

Sincerely,

George M. Burgess
County Manager





Water and Sewer Department

P.O. Box 330316
3071 S.W. 38th Avenue • Room 247
Miami, Florida 33233-0316

Message from management



Department Director, William M. Brant (standing center) with (L-R standing) Assistant Director Dana M. Moss, Deputy Director John W. Chorlog, Jr., Assistant Director Jorge S. Rodriguez, Assistant Director Humberto Codispoti. (seated) Assistant Director Bertha M. Goldenberg, Assistant Director Sharon E. Mitchell, and Assistant Director/Executive Assistant Bonnie P. Wells

The Comprehensive Annual Financial Report of the Miami-Dade Water and Sewer Department (the Department) for the fiscal year ended September 30, 2004 is submitted herewith. Management is responsible, in all material respects, both for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. The data is reported in a manner designed to present fairly the financial position and the results of operations of the Department. All disclosures necessary to enable the reader to gain an understanding of the Department's financial and operational activities are included. This report may also be accessed via the Internet at http://www.miamidade.gov/wasdr/reports_financial.asp.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes the Board of County Commissioners, the transmittal letters and the Department's organizational chart. The financial section includes the independent auditor report, the Management's Discussion and Analysis, the Department's financial statements and supplementary financial data. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

In December 1972, the Board of County Commissioners (the Board) of Miami-Dade County, Florida (the County) created the Miami-Dade Water and Sewer Authority (the Authority) for the purpose of establishing an agency responsible for providing water and wastewater services throughout the County. In 1973, all properties of the water and wastewater systems of the City of Miami (the City) and of the County were put under the control of the Authority. The Board changed the status of the Authority to that of a County

department effective November 1, 1983. Under the provisions of Miami-Dade County Ordinance 83-92, which directed the transition, the Authority was established as the "Miami-Dade Water and Sewer Authority Department" (the Department). On October 19, 1993, the Department changed its name to the Miami-Dade Water and Sewer Department.

The Department's water system, considered the largest water utility in the Southeast United States, serves approximately 401,000 retail customers and fifteen wholesale customers within the County. The water system consists of three regional water treatment plants and five small auxiliary treatment facilities that service the southernmost area of the County. Groundwater from the Biscayne Aquifer is the primary source of the raw water supply. There are six major wellfields comprised of 92 individual wells, which supply untreated water to the treatment facilities. Distribution throughout the service area of more than 400 square miles is performed via seven remote finished water storage and pumping facilities.

The wastewater system serves approximately 316,000 retail customers and twelve wholesale customers. It consists of three regional wastewater treatment plants and 981 sewage pump stations. Collection occurs via a network of sewage facilities, including gravity collection sewers, manholes, force mains and treated effluent disposal facilities.

major initiatives

The Infill Development Review Committee

The Infill Development Review Committee was established in 2003 to assess all new projects planned in areas with existing water and sewer infrastructure. The committee specifically addresses new service needs created by inward developmental growth - particularly as they are affected by county policies.

Current county development regulations were written primarily to address system extensions serving large vacant properties. They are often irrelevant to current trends of infill development, where mains are already in place. The Infill Committee analyzes infill projects, ensuring maximum economic and technical benefits in the continuing



urban renewal. Primary to the committee's tasks is requiring either those developer-funded improvements that are necessary to adequately serve the infill projects, or a contribution for future improvements in a planned systematic process. The economic benefits that result from removing possibly

prohibitive costs from these development projects cannot be overstated.

In FY 2004, the Infill Development Review Committee reviewed 371 projects. In 165 of those cases developers were given the opportunity to make a contribution to an infill fund in lieu of making the system improvements required by the statutes. The reviews and determinations of the committee resulted in the Department collecting just under \$1 million for the infill fund and saving \$297,093 in over-sizing credits.

The Water/Wastewater Facilities Master Plans

By 2020, it is expected that Miami-Dade County's population will have grown by approximately 20 percent to 2.9 million



people (Miami-Dade County Department of Planning and Zoning). Water and sewer services will be primary among the services that will need to expand to accommodate the burgeoning populace. The Department's Water and Wastewater Facilities Master Plans were developed to address these specific needs and were approved in the last fiscal year by the Miami-Dade Board of County Commissioners.

The plans outline the water and wastewater needs of the county as it seeks to sustain the projected growth in the area. The Department plans to retain consultants to expand these Master Plans to identify water treatment and distribution and sewage collection and disposal needs at the local level. The consultants will also help the Department to update and expand its water and sewer hydraulics computer models for use in this work.

The New South Miami-Dade Water Treatment Plant

The first stages of construction began on the perimeter wall and other sections of the exterior and the surroundings of the Department's newest water treatment plant in FY 2004. Installation of traffic lights



and turn lanes comprising the entranceway into the facility are set to begin in FY 2005. Other portions of this substantial project include several water mains and the combined wellfield construction and improvements at Roberta Lenear Park

and Caribbean Park. These projects are in various stages of design and permitting.

The facility, which will replace three small treatment plants currently being operated in South Miami-Dade, will use the latest



in membrane softening technology and will commence production with an initial treatment capacity of 20 million gallons per day (MGD).

Injection Wells Consent Order

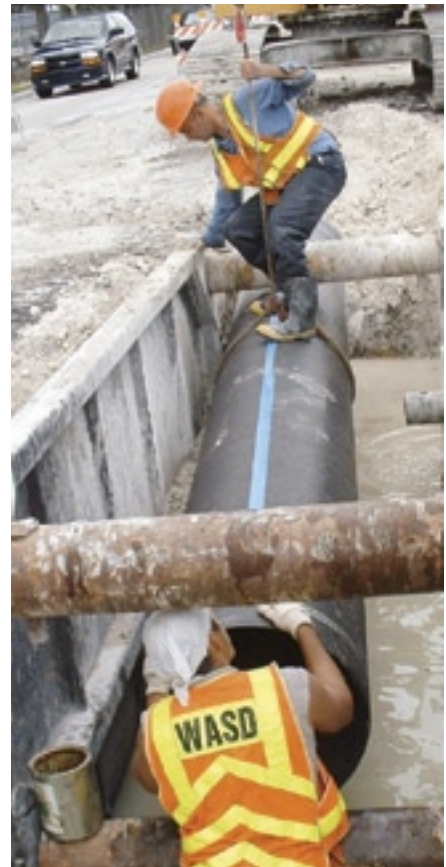
The Consent Order governing the use of deep injection wells for effluent disposal entered into between the Miami-Dade Water & Sewer Department and the Florida Department of Environmental Protection (FDEP) in FY03 has been closed. In its place, the Department and the FDEP have entered into a new agreement that will address concerns of fluid movement in injection wells at the Department's South District Wastewater Treatment Plant. The new Consent Order became effective April 29, 2004.

Under the new order, the Department will be required to meet a variety of stipulations; among them, upgrading the treatment process to implement Florida's High Level Disinfection (HRD) standards or an equivalent process, conducting a pilot project to demonstrate the equivalency of various methods of pathogen reduction to HRD, constructing treatment facilities based on the results of that pilot project, and conducting a groundwater study.

The Department completed, on or ahead of schedule, 62 milestones associated with this Consent Order.

Consent Decrees and Settlement Agreements

The Miami-Dade Water and Sewer Department has successfully completed



91 percent of the mandated improvements under its Consent Decrees and Settlement Agreements (CD/SA) program with the United States Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP).

The Department continues to be in compliance with all the provisions of the CD/SA and through FY04 has not incurred any penalties for not completing tasks within deadlines. More than 1,422 milestones have been satisfactorily completed as prescribed by these enforcement actions on, or ahead of, schedule.

Some of the major milestones reached under the CD/SA include the completion of the new 72-inch cross-Bay force main, development of a computerized collection and transmission system model, installation of Supervisory Control and Data Acquisition





(SCADA) in pump stations, development and implementation of a Comprehensive Maintenance Program and Tracking System and the implementation of a program to optimize wastewater treatment efficiency and effectiveness.

The CD/SA program is divided into three major sub-programs: the Wastewater Treatment Expansion Program, the Pump Station Improvement Program and the Infiltration and Inflow Reduction Program

Wastewater Treatment Plant Expansion Program

While most of the projects under this program have been complete for some time, the program is ongoing due to the Department's effluent reuse. Valuable potable water is conserved by using reclaimed water in several wastewater treatment plant processes and in the

landscape irrigation system at two of the Department's wastewater treatment plants and at Florida International University's Biscayne Bay Campus.

Pump Station Improvement Program

The Pump Station Improvement Program was created to evaluate and improve the operation and transmission capacity of the 981 wastewater pump stations under the control of the Miami-Dade Water and Sewer Department. The CD/SA requires the completion of 617 pump stations and 209 force main projects.

Pump Station Improvement projects include sewer pump station refurbishing, installation of new pumps, electrical upgrades and the installation of new force mains.

Infiltration and Inflow (I & I) Reduction Program

The Miami-Dade Water and Sewer Department continues to perform sanitary sewer evaluation surveys on more than 15 million feet of gravity collection main lines. I & I was reduced by 10 MGD during FY04, resulting in a reduction of more than 136 MGD since the beginning of the program.

In addition, we continue to decrease the frequency of sanitary sewer overflows. Despite a rapid growth rate of approximately 2.5 percent annually in the Department's collection system, total average daily flows to the treatment plants have been reduced to 48,666 gallons (after adjustment to account for severe storms, pipeline breaks



caused by contractors and vandalism) during FY04 from 1.2 billion gallons in FY95. There is still, however, some elevated flow during and after major rain events. The Department has committed more than \$17 million to the Lateral Pilot Program to address these peak flows.

The Lateral Pilot Program is designed to determine if leaks in sanitary sewer laterals are a contributor to peak flows. As part of the program, the Department has conducted an in-depth inspection of 52 basins that exhibit high flows during and after heavy rain events. The main line inspections and subsequent repairs have been completed and the lateral inspection phase of the program has begun. When all the laterals in the 52 basins have been

inspected and repaired, it will be possible to compare the benefits and costs of a lateral inspection and repair program against that of the Infiltration and Inflow Reduction Program. That evaluation will help to determine if continued reduction in infiltration and inflow via a lateral inspection program is a cost effective solution to the reduction of peak flows.

Disinfection Byproducts

Miami-Dade Water and Sewer Department's Alexander Orr, Jr. and Hialeah Water Treatment Plants were found to be in compliance with EPA guidelines established in 1996 for achieving maximum levels for Total Trihalomethanes (THMs) and Haloacetic Acids (HLAs).



It was determined that the John E. Preston Water Treatment Plant needed some modifications in order to meet the EPA requirements. Those upgrades have been completed.





Northwest Wellfield Land Acquisition

The Department has been working assiduously to acquire lands surrounding its Northwest Wellfield to serve as a buffer zone around the wells, which supply water to the Department's Hialeah and John E. Preston Water Treatment Plants. At the end of FY04, the Department had obtained 85 acres of property surrounding the wellfields and is continuing to pursue the acquisition of more land in the area. The land purchase will increase the protection area around the wellfield to the current 60-day line (the time it will take water from the area's outermost boundaries to be drawn to the supply well).

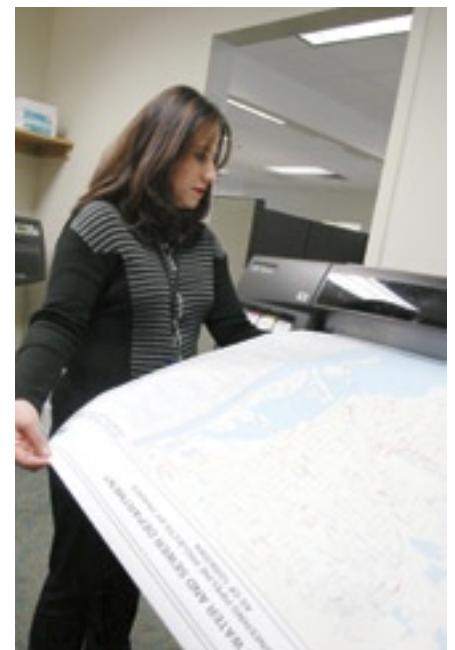
Efficiency Program

Now in its eighth year, Miami-Dade Water and Sewer Department's efficiency program has continued to show great success in improving the Department's operations and ultimately providing savings for water and sewer customers.

The POWER (Partnership Optimizing WASD's Efficiency and Reengineering) program has been the vehicle for the implementation of several projects that started with ideas from innovative and inventive department employees. Using in-house staff to do tasks previously done by outside contractors represented the largest number of efficiency projects implemented

and also the largest portion of the savings for the Department in FY04. These and other projects resulted in savings of \$4,875,716 for the Department.

In addition to the approximately \$4.9 million in savings for the Department and the subsequent low rates which customers are able to enjoy, the POWER program has resulted in more efficient operations, a reduction in operating and maintenance expenses, improved service to customers, as well as gainsharing bonuses for employees. The program has received several national awards and has been used as an efficiency model for other Miami-Dade County departments to follow.





Water/Wastewater Needs Assessment Study

The Needs Assessment Study was undertaken to evaluate the adequacy of the Department's water and wastewater system - one of the largest in the United States - and to support several county-wide initiatives aimed at revitalization and development. The study identified areas of undersized water mains and low water pressure that need to be upgraded in order to provide adequate fire protection throughout the county.

In 2001, the Department created the Needs Assessment Program (NAP) to begin the process of addressing key initiatives and deficiencies. In the three years since its inception, a total of \$30 million has been allocated to this program. That funding allocation has paid for planning, design and construction projects in all 13 commission districts.

During FY04, the Department established a Memorandum of Understanding (MOU) for gainsharing, which was subsequently approved by the Board of County Commissioners. The agreement supports the POWER program by hinging gainsharing rewards directly to employee performance

and realization of specific department goals. Goals outlined in the MOU include improving employee safety and reducing incident rates, training all employees in mandatory classes and meeting federal and state water and wastewater standards.

In FY04 under NAP, 15 project designs were completed, four projects were put out for bids, construction was started on five projects and two projects were completed.

Growing with Information Technology

The Miami-Dade Water and Sewer Department is committed to utilizing the latest and best in available information technology in order to carry out operations and serve the expanding needs of customers. For functions from researching client records to managing assets, the Department has sought to create or purchase computer software that will significantly raise efficiency levels.

The Customer Information System

One of the most significant accomplishments of Miami-Dade Water and Sewer Department's Customer Information System (CIS) in FY04 was the ability to offer customers the convenience of online bill payment. Previously customers had been able to view their balance, look at their payment history and disconnect or transfer



service. Online bill payment is indicative of the Department's ongoing efforts to meet the needs of its customers.

During FY05 the Department expects to further expand its online services to include email bill notification, automatic payments and enrollment capabilities. Additionally, the Department is considering offering online credit card payments (currently payments can only be made using banking information) in response to indications from customers that this would be a welcomed convenience.

In order to continue to offer its customers the best in service and to streamline the

as had the updating of the procedures manuals. It is expected that the upgraded system will be in operation by the summer of 2005.

The Enterprise Resource Planning Project

The Department, in conjunction with the Miami-Dade Aviation Department and other partnering departments, has begun the implementation of an Enterprise Resource Planning (ERP) system to replace their current financial accounting software, with its implementation to serve as a pilot for other County departments. The new software is intended to allow for easier control, access and management of financial data.



maintenance and use of customer records, the Department began upgrading its application to the latest version of PeopleSoft CIS. By the end of FY04, the addition of custom modifications to the program had begun

At the end of FY04, the County was preparing to purchase integrator services and the PeopleSoft ERP system. The project is expected to continue through to the beginning of FY06.



The Enterprise Asset Maintenance System

Miami-Dade Water and Sewer Department is part of a pilot project to implement a centralized system for managing County assets. The software selected for the project - Datastream 7i - is expected to help County departments manage maintenance and repairs for capital assets, facilities and equipment; improve inventory processes and resources; and provide enhanced reporting capabilities.

An analysis of the initial software offering revealed that some functional enhancements to the program are needed in order to meet the requirements of the Department's business processes. A new scope and work plan has been developed and the vendor will modify the

application during FY05. The enhanced software is expected to be available and further coordination is planned with the ERP project in FY05.

Supervisory Control and Data Acquisition System

Essential to the Miami-Dade Water and Sewer Department's daily operations is the ability to monitor and control its water and wastewater functions from a remote location. The Department's Supervisory Control and Data Acquisition (SCADA) system is at the heart of this capability and one of the largest of its kind in the country.

The SCADA system, which is particularly important in cases of emergency operations and as a tool in meeting requirements of

the CD/SA program, has allowed workers in the Department's 24-hour emergency call center to continuously oversee the operations at all pump stations. It has also allowed water and wastewater treatment plant operators to control plant functions from remote control panels, providing an increased level of efficiency.

Nine hundred and fifty-nine of the Department's 981 wastewater pump stations have been retrofitted with the SCADA monitoring devices. The Department's North District Wastewater Treatment Plant, its Hialeah and John E. Preston Water Treatment Plants, and all water wellfields are fully operation in the SCADA system. SCADA is operational, but is being upgraded at the South District Wastewater Treatment Plant, the Alexander Orr Water Treatment Plant and the Central District Wastewater Treatment Plant, where the upgrade is approximately 55 percent complete.

Community Outreach

The Miami-Dade Water and Sewer Department is as committed to informing its customers as it is to providing potable water and environmentally sound wastewater treatment and disposal. To that end, the Department's Public Affairs Office sponsors and participates in several

programs aimed at educating the public on its operations, under-utilized services, tampering and water conservation.

The Department's water conservation message in particular is carried through several mediums, including school presentations and contests, programs and public service announcements on public television, the distribution of water conservation kits, departmental brochures and other publications.

In FY04, and as part of the County's comprehensive business plan, the Department committed \$100,000 to implementing a low-flow showerhead program by September 2005. The program will offer an initiative to customers to replace current showerheads with low-flow varieties. It is expected that the resulting savings from wide acceptance of the showerheads will be significant.

The Year of the Hurricanes

Florida's 2004 hurricane season proved to be one of the most active in the state's history. Twelve major storms, including seven hurricanes formed in the Atlantic during the summer. Four of them - Charley, Frances, Ivan and Jeanne - had significant effect on Florida.



Hurricane Charley made landfall in Central Florida on August 13 as a Category 4 storm and went on to cause the loss of 22 lives and approximately \$6.8 billion in damages. In early September, Hurricane Frances battered Florida for more than 30 hours, causing the deaths of 15 people and another \$3 billion to the state's damage costs. While Hurricane Ivan eventually took a wide berth around Florida, residents, businesses and governments took tremendous precautions in the wake of the two previous devastating storms. Without making landfall, Ivan caused tornadoes inland, washed away large portions of the Florida coastline, and caused

major damage to waterfront properties and roads - including a bridge on Interstate 10 that fell away. After leaving more than 1,100 people dead in Haiti, Hurricane Jeanne slammed into the Florida Coast in late September, claiming six more lives.

The huge economic impact on Florida, particularly Central Florida, caused by the hurricanes included more than the cost of the buildings that were destroyed. Electricity and water was interrupted in many places so that businesses whose infrastructure was intact could not open and residents could not go to work. Tourism to the state also fell sharply.

While Miami-Dade Water and Sewer Department's service area did not see any significant damage from the hurricanes, the operations of the Department and the County were interrupted for emergency preparation. Employees were sent home and/or told to stay away from work, Department personnel were dispatched to man the County's Emergency Operations Center around the clock, the Department's fleet of vehicles were secured - in some cases moved out of the County completely - and hurricane response procedures were put into effect four times in two months. Despite not being put to the ultimate test, the Department's hurricane procedures were implemented and worked smoothly. Essential personnel were gathered and briefed quickly. Responsibilities were clear and tasks were assigned and completed expeditiously. Every action was taken as to cause minimal disruption to the Department's operations and to maintain the safety of employees. The Department was also in a position to provide assistance to some hurricane-ravaged areas of the state, supplying emergency generators to Palm Beach, Martin, Citrus and Charlotte Counties.





financial information

as capital improvement requirements, debt service payments, and operating transfers to the County's General Fund.

Accounting System and Budgetary Control

As specified in Miami-Dade County Ordinance 93-134, the Department's financial accounting system is based upon accounting principles generally accepted in the United States of America (GAAP). Internal accounting controls are an integral part of the Department's management systems and are designed to provide reasonable assurance that assets are safeguarded from unauthorized use or disposition and that records used for preparing financial statements and maintaining asset accountability are reliable.

To aid in carrying out this responsibility, management strives to maintain a system of internal accounting control, which is established after weighing the cost of such controls against the benefits derived. Due to the inherent limitations of the effectiveness of any system of internal accounting control, management cannot provide absolute assurance that the objectives of internal accounting control will be met.

As part of the County's ongoing efforts to employ comprehensive and cost-effective internal accounting controls, Miami-Dade County's internal auditing staff reviews the Department's controls and procedures on a continuing basis. The County's Director of Audit and Management Services reports to the County Manager, providing the independence necessary for objective auditing and reporting on Department affairs.

The Board of County Commissioners approves the Department's annual budget for its recommended rates, expenses and capital outlays. An analysis of revenue and operating expenses for the fiscal year ended September 30, 2004 is provided in the financial section of this report.

The Department controls current expenses at both the functional and operating division levels. Through the Department's management reporting system, which includes responsibility centers, division managers are responsible for budgetary items that are controllable at their organizational levels. Since all expenses are controllable at some level, this dual monitoring of expenses serves to strengthen overall budgetary and management controls.

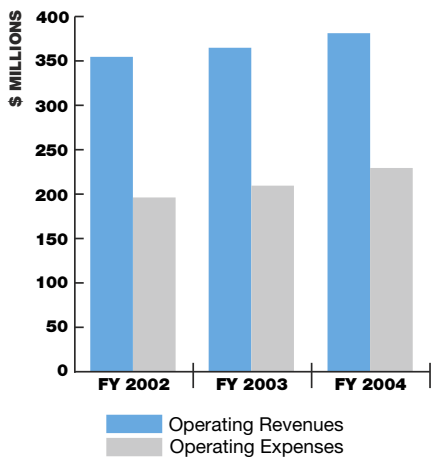
This portion of the letter of transmittal is further discussed in the Management's Discussion and Analysis, found in the financial section of this report, and should be read in conjunction with it.

Enterprise Fund

The Department operates as an enterprise fund of Miami-Dade County. As such, the Department funds its expenditures through its rates and charges and receives no income from ad valorem taxes levied by the County. The Department recommends rates annually to provide for anticipated cash outlays for operating expenses, as well

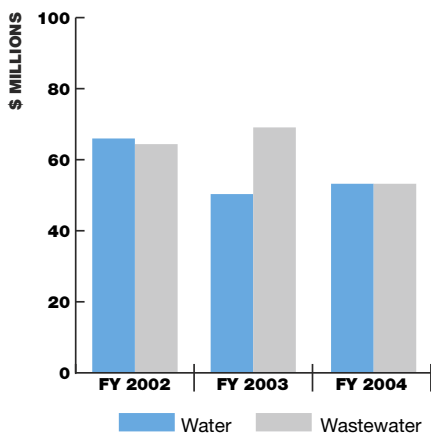
Operating Revenues and Expenses

Operating revenues and expenses for fiscal years 2002, 2003 and 2004 are shown in the following graph.



Capital Improvements

The following graph presents a summary of capital improvements for fiscal years 2002, 2003 and 2004.



Cash Management

The Department pools all cash and investments, with the exception of certain investments which are required to be held in trust and escrow accounts under the terms of bond ordinances and loan agreements.

Pooled investments are made pursuant to Florida Statutes and resolutions of the Board of County Commissioners and consist of U.S. government and agency securities, commercial paper, certificates of deposit, bankers' acceptances and repurchase agreements which are collateralized by U.S. government and agency securities. Investments are competitively bid among banks and investment brokers enabling the Department to obtain the best interest rates available in the market. A summary and comparison of cash management activity for fiscal years ended September 30, 2004 and 2003 is as follows (dollars in thousands):

| | 2004 | 2003 |
|--------------------------------|-----------|-----------|
| Average portfolio balance | \$679,955 | \$751,612 |
| Average investment yield | 1.8% | 2.0% |
| Interest earned on investments | \$12,138 | \$14,834 |

Risk Management

The Department maintains a self-insurance program for general liability and automobile liability exposures. Funding for this program is based on an actuarial study performed by consultants. The Department also participates in the County's self-insurance programs for workers' compensation and health and life insurance. Insurance is maintained with independent carriers for all other risks of loss.

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Miami-Dade
Water and Sewer Department,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl
President

Jeffrey R. Egan
Executive Director

other information

preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Department has received a Certificate of Achievement for the past 22 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to GFOA.

Association of Metropolitan Sewerage Agencies 2003 Peak Performance Gold Award

The Department's North District and Central District Wastewater Treatment Plants received Peak Performance Gold Awards from the Association of Metropolitan Sewerage Agencies (AMSA) in FY 02-03. This marks the third year in a row, and the fifth time in six years that the North District plant is winning a Gold Award. Recipients of the Gold Award must achieve 100 percent compliance with their National Pollutant Discharge Elimination System (NPDES) permit.

National Association of Counties 2004 Achievement Awards

The Department won two Achievement Awards from the National Association of Counties (NACo) in 2004 for its Customer Information Booklet and for the creation and work of the Infill Development Review Committee. The NACo Achievement Awards is a non-competitive program that gives national attention to innovative county programs and outstanding accomplishments.

Acknowledgements

We wish to thank all the employees of the Department for their continued commitment to excellence. We would also like to thank the Department's Controller Division and Public Affairs Section; the County's General Services Administration's Printing and Graphics Section; and the Communications Department's photographers for preparing this report; and our external auditors for their invaluable assistance. Finally, we wish to thank our County's Mayor, Board of Commissioners and Manager for supporting the Department in fulfilling its role of service to the community.

William M. Brant

William M. Brant, P.E., Director

Dana M. Moss

Dana M. Moss, Sr., C.P.A.

Assistant Director - Finance

Independent Audit

The accompanying financial statements have been audited by the Department's independent auditors, Rachlin Cohen & Holtz, LLP and their report on the financial statements resulting from their audit is included in the financial section of this report.

Awards

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2003. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for

organizational chart

